

**DRAFT**  
**City of Chula Vista**  
**Neighborhood Stabilization Program**  
**Substantial Amendment (NSP)**  
**to the**  
**2008/2009 Annual Action Plan**

Prepared by:

CITY OF CHULA VISTA

*Redevelopment  
& Housing*



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# **First Amendment to the 2008/2009 Annual Action Plan for Implementation of the Neighborhood Stabilization Program**

## **A. AREAS OF GREATEST NEED**

### ***Introduction***

Chula Vista is the second largest municipality in the County of San Diego metropolitan statistical area (MSA, also known as “San Diego-Carlsbad-San Marcos”), with an estimated population of 231,305 residents (based on San Diego Association of Governments). The City covers approximately 50 square miles along the San Diego Bay and is surrounded by National City, the City of San Diego, and the unincorporated areas of the County. Two major north-south freeways, Interstate 5 and Interstate 805 traverse Chula Vista. The area west of the I-805 “western Chula Vista” is built up and includes redevelopment areas. The “eastern area” is comprised of several master-planned communities in various stages of approval and implementation.

### ***Foreclosure Process California***

California is a non-judicial foreclosure state. The foreclosure process begins with a recorded Notice of Default (NOD), which is a public notification that the borrower has fallen behind in the monthly mortgage payments. If the default is not cured, or the loan renegotiated or replaced, the NOD is followed by a Notice of Trustee’s Sales (NOTS/NDS) after a minimum of three months. The actual Trustee’s Sale can not occur less than 20 days after public notice. The Trustee’s Sale is a public auction, at which anyone may place a bid, including the lender and any junior lien holders. The foreclosure process may be stopped if the default is cured 5 days in advance of the sale date. If no one bids, and the foreclosure process was not stopped, title (ownership) of the property reverts to the lender as REO property (Real Estate Owned property). The typical foreclosure process takes at least 117 days in California.

In Chula Vista within the past four months (from June 1, 2008 through September 30, 2008) there were a total of 935 properties taken all the way through the foreclosure process.

### ***Housing and Economic Recovery Act of 2008 (HERA)***

The HERA statute indicates that a grantee should give priority emphasis in targeting the funds that they receive to “those metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas, and other areas with the greatest need, including those—

- (A) with the greatest percentage of home foreclosures;
- (B) with the highest percentage of homes financed by a subprime Mortgage related loans; and
- (C) identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.”

In order to determine the impacted areas, or Target Neighborhoods, a variety of data sources were reviewed.

### ***Low- and Moderate-Income Eligible Census Tracts***

The City of Chula Vista began its needs assessment by identifying the census tract block groups in the City with income levels at or below 120 percent of the Area Median Income (AMI). For purposes of this Amendment, the low, moderate, and middle-income areas will be noted as "LMMI". This data was provided by the U.S. Department of Housing and Urban Development (HUD) and this data can be found on the HUD website at the following web address: [http://www.huduser.org/publications/commdevl/nsp\\_target.html](http://www.huduser.org/publications/commdevl/nsp_target.html). There are a total of 51 census tract block groups in the City and 32 of them are qualified LMMI areas (81-120% AMI), as illustrated in Exhibit A. Exhibit A further delineates those areas that are eligible under annual CDBG allocations at 80% of the area median income and below.

### ***HUD High Foreclosure Risk Areas***

Foreclosures have occurred through the City of Chula Vista, but are concentrated in certain areas. HUD has compiled a set of data that include the following:

- Area of unemployment rate;
- Area average housing sales price decline (since the peak of the market);
- High cost loan rate (mortgages with interest-only payment options, stated income mortgages, mortgages with high loan to ratios, etc.);
- The predicted 18 month underlying foreclosure rate; and
- Housing units that have been vacant for at least 90 days.

The data is made available at the Census Tract Block Group (CTBG) level for the entire country. The data for Chula Vista was evaluated and a 10-step priority ranking for those CTBGs most at risk of becoming blighted due to large numbers of vacant, foreclosed units was developed. Using the high cost loan rate and predicted 18-month underlying foreclosure rates as key indicators for Chula Vista, the standard deviation was calculated for the high cost loan rates. The standard deviation was then used as the threshold between rank order numbers. A visual representation of these impacts is shown as Exhibit B and summarized by census tract in Table 1.

### ***Properties in Foreclosure***

In order to establish those areas with the highest number of properties in the foreclosure process, Chicago Title data was used to establish the number and locations of Notice of Defaults (NOD), Trustee Sales (NDS), and Real-Estate Owned (REO) properties as recorded from the period of June 1, 2008 to September 30, 2008. These impacts are illustrated in Exhibit C and summarized by census tract in Table 1.

### ***Abandoned Residential Property***

In August 2007, the City of Chula Vista adopted an Ordinance which requires mortgage lenders to inspect defaulted properties to confirm that they are occupied. If a property is found to be vacant, the program requires that the lender exercise the abandonment clause within their mortgage contract, register the property with the City and immediately begin to secure and maintain the property to the neighborhood standard. A visual representation of properties that were registered in the Abandoned Residential Property Program as of October 15, 2008 is shown as Exhibit D and summarized by census tract in Table 1.

**TABLE 1**

**Summary of Low- & Moderate Eligible, HUD Risk, Recorded Foreclosures, & RAP**

Census Tract	Low- & Mod- Eligible (LMMI) <sup>(1)</sup>	HUD Risk Score	Notice of Defaults (NOD)	Trustee Sales (NSD)	Foreclosed Properties (REO)	NOD+NSD +REO	RAP Cases
12302	Y	5	2	3	5	10	2
12303	Y	6	9	8	9	26	12
12304	Y	6	6	5	3	14	11
12401	Y	5	4	0	4	8	5
12402	Y	7	12	5	11	28	8
12500	Y	7	19	4	5	28	10
12600	Y	7	21	12	10	43	17
12700	Y	7	13	6	8	27	10
12800	Y	6	11	5	11	27	12
12900	Y	6	11	7	11	29	15
13000	Y	5	17	10	7	34	12
13102	Y	6	18	8	13	39	15
13103	Y	5	3	3	0	6	4
13104	Y	6	10	8	8	26	6
13203	Y	6	7	5	4	16	5
13204	Y	6	4	2	1	7	4
13205	Y	7	9	5	0	14	5
13206	Y	8	9	3	8	20	12
13301	Y	5	29	10	19	58	22
13302	Y	6	20	8	13	41	20
13303	Y	7	28	16	17	61	22
13306	Y	7	18	12	27	57	27
13307	Y	8	11	13	15	39	15
13308	Y	8	31	14	31	76	38
13309	Y	6	35	24	41	100	43
13310	Y	6	182	114	171	467	187
13311	N	6	55	29	37	121	41
13312	Y	7	15	10	16	41	22
13313	Y	6	244	130	188	562	258
13401	N	6	18	12	16	46	16
13409	Y	3	22	11	10	43	17
13410	N	6	41	15	24	80	27
13411	N	5					5
13412	N	5	8	6	9	23	13
13413	Y	5	32	15	26	73	20
13414	N	4	35	13	24	72	27
13415	Y	5	8	5	2	15	3
13416	Y	5	6	3	9	18	5
13417	N	5	7	10	7	24	2
13418	Y	7	38	21	50	109	64
13419	Y	6	66	35	51	152	59
21303	N	5	25	19	12	56	24
<b>Total</b>			<b>1159</b>	<b>645</b>	<b>933</b>	<b>2737</b>	<b>1144</b>

<sup>(1)</sup> Census Tracts identified as eligible if any block group within the tract was LMML.

### ***Target Neighborhoods – Areas of Greatest Need***

Based on the data collected above, those census tracts that had the highest risk and foreclosures were identified, as illustrated in Exhibit E and Table 2. They included one or more of the following criteria:

- HUD Risk score of 7 or higher;
- 100 or more recorded properties in foreclosure; and/or
- 50 or more properties registered in Abandoned Residential Properties program.

**Table 2**  
**Census Tracts with Greatest Need**

Census Tract	Low- & Mod- Eligible <sup>(1)</sup>	HUD Risk Score	Notice of Defaults (NOD)	Trustee Sales (NSD)	Foreclosed Properties (REO)	NOD+NSD +REO	RAP Cases
<b>12402</b>	Y	7	12	5	11	28	8
12500	Y	7	19	4	5	28	10
12600	Y	7	21	12	10	43	17
<b>12700</b>	Y	7	13	6	8	27	10
13205	Y	7	9	5	0	14	5
13206	Y	8	9	3	8	20	12
<b>13303</b>	Y	7	28	16	17	61	22
<b>13306</b>	Y	7	18	12	27	57	27
<b>13307</b>	Y	8	11	13	15	39	15
<b>13308</b>	Y	8	31	14	31	76	38
13309	Y	6	35	24	41	100	43
<b>13310</b>	Y	6	182	114	171	467	187
<b>13311</b>	N	6	55	29	37	121	41
13312	Y	7	15	10	16	41	22
<b>13313</b>	Y	6	244	130	188	562	258
<b>13418</b>	Y	7	38	21	50	109	64
13419	Y	6	66	35	51	152	59

Since funding is limited, further analysis of the identified census tracts was required in order to determine which should be included as Target Neighborhoods, in order to impact specific communities within the City. Census tracts 12500 and 12600 are largely occupied by the undeveloped Bayfront with little residential property and were therefore excluded. In addition, census tracts 13205 and 13206 are located along primarily industrial corridors with little residential property. Tracts 13309 and 13312 were also excluded in order to more directly target the southwest neighborhood west of Interstate 805 (I-805). Finally census tracts 13311 and 13419 was excluded due to a high cost of houses in that area and in order to focus funds more directly at the older section of Eastlake and Otay Ranch where higher foreclosure rates exist.

The resulting focus areas are as follows, and depicted in Exhibits F - I:

1. Northwest Target Neighborhood – consisting of census tracts 12402 and 12700;
2. Southwest Target Neighborhood – consisting of census tracts 13303, 13306, 13307, and the residential portion of tract 13308; and
3. Eastern Target Neighborhood - consisting of census tracts 13418 and portions of tracts 13310 and 13311.

## B. DISTRIBUTION AND USES OF FUNDS

### ***NSP Eligible Uses and Activities***

Some of the eligible uses for the funds include but are not limited to:

- Financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties (e.g. soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers);
- Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties;
- Establishing land banks for homes that have been foreclosed upon; and
- Demolition of blighted structures.

### ***Ineligible Activities***

In general NSP activities mirror eligibility requirements under CDBG. In addition, NSP funds cannot be used for foreclosure prevention, demolition of non-blighted structures, or purchase of properties not abandoned or foreclosed upon.

### ***Chula Vista Selected NSP Uses and Activities***

The City of Chula Vista has identified the selected NSP eligible uses and activities in the table below. The funds will be used in two primary activities, plus administration:

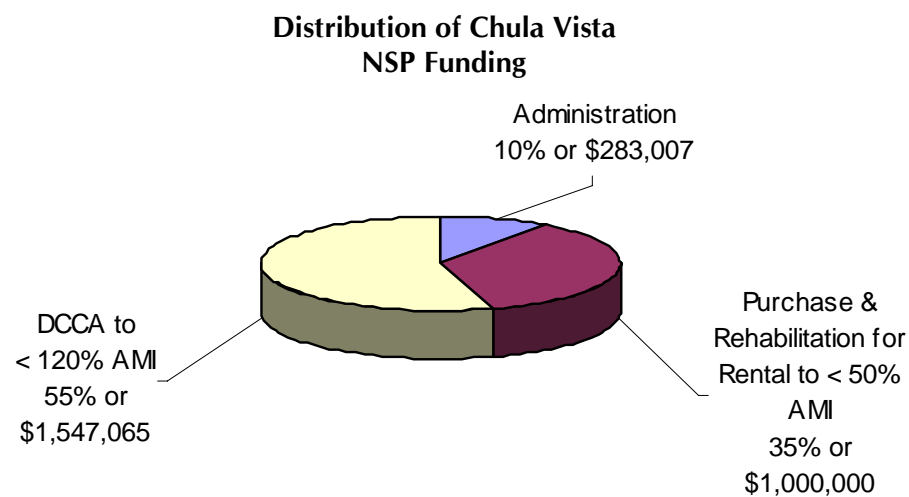
Activity	Targeted Uses	Eligible Activities
Assist a partner in the Purchase & Rehabilitation of abandoned or foreclosed properties for permanent rental housing, including but not limited to, Community Housing Development Organizations (CHDO), members of the San Diego Regional Continuum of Care Council, and/or affordable housing developer	Households at or below <b>50%</b> of Area Median Income	<ul style="list-style-type: none"><li>• Acquisition</li><li>• Disposition</li><li>• Relocation</li><li>• Rehabilitation</li></ul>
Establish financing mechanisms for acquisition of abandoned or foreclosed properties- Shared Equity Down Payment and Closing Cost Assistance Program (DCCA)	Households earning <b>up to 120%</b> of Area Median Income may be eligible for a DCCA at the subsidy levels described in the Financing Mechanisms Section of this report	<ul style="list-style-type: none"><li>• Acquisition</li><li>• Rehabilitation</li><li>• Appraisals</li><li>• Program Delivery</li><li>• Housing Counseling</li></ul>

Funding for the down payment and closing cost assistance will be prioritized to those areas of greatest need, Target Neighborhoods, as identified above.

### ***Funding Breakdown***

The City of Chula Vista will receive \$2,830,072 in NSP funding. The City plans to use 55% of this funding as a financing mechanism to assist persons at or below 120% of area median income and 35% of the funding for acquisition/rehabilitation of abandoned/foreclosed properties to assist persons at or below 50% of area median income. The remaining 10% or \$283,007 will be used for administration.

Note that it may be necessary to shift funding from one eligible use to another in order to meet the expenditure deadlines. However, as required by the NSP, the percentage of Administration funding will not exceed 10% of the allocation and at least 25% will be used for eligible activities to benefit persons or households at or below 50% of the area median income. An illustration of the distribution and summary of each activity follows.



#### Financing Mechanism (DCCA) (Section 2301 (c)(3)(A))

The City plans to use 55% or \$1,547,065 of this funding as a financing mechanism [Shared Equity: Down Payment and Closing Cost Assistance (DCCA)] to assist persons at or below 120% of area median income to acquire foreclosed or abandoned residential properties. Priority will be given to first-time homebuyers that are purchasing within the Targeted Neighborhoods and will closely mirror the City's existing program guidelines for the Shared Equity: Down Payment and Closing Cost Assistance Program, by providing gap financing, as follows:

- Homebuyers with household incomes that do not exceed 120% of area median income may borrow up to \$40,000.
- Homebuyers with household incomes that do not exceed 80% of area median income may borrow up to \$70,000.
- Up to \$24,999 of the total funds (\$40,000 or \$70,000) can be used towards home repair and rehabilitation.

In addition to the NSP funds, the City may allocate additional HOME Investment Partnership entitlement funds towards down payment assistance for persons at or below 80% AMI towards Down Payment and Closing Cost Assistance of REO (i.e. bank owned) properties.



Acquisition/Rehabilitation & Rental for Very Low Income Tenants (Section 2301 (f)(3)(A)(ii))  
There is a very low income set aside provision in HERA where at least 25% of the NSP funds must be utilized for the benefit of families at or below 50% area median income. The City has exceeded this requirement by identifying 35% or \$1,000,000 of the NSP funding to acquire/rehabilitate single units or multi-family units in partnership with an organization to provide permanent rental housing. The City will issue a Notice of Funding Availability (NOFA) to partner with such organizations, including but not limited to: Community Housing Development Organizations (CHDOs); participating members of the San Diego Regional Continuum of Care Council; and/or an affordable housing developer.

#### Pre-Award Costs and Administration

The City may incur pre-award costs in compliance with 24 CFR Part 570.200(h). Permissible costs incurred as of September 29, 2008 for items such as development of the Action Plan amendment and other administrative actions necessary to receive the NSP grant funds from HUD. In addition, post-award cost will be used for Administration and Management of NSP funds.

### **C. DEFINITIONS AND DESCRIPTION**

**Affordable Rents:** For the purposes of NSP funds, “affordable rents” shall be defined using the LOW HOME Program Rent definition for persons below 50% of area median income, which includes a breakdown of 30% and 50% of area median income. At no time shall the rent exceed HUD’s Fair Market Rent.

The guidelines used for the determination of affordable rents under the HOME program are found at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/>

**Area Income Limits:** The table contains income limits for extremely low, very low, low and moderate income, as adjusted for family size and other factors adopted and amended from time to time by the U.S. Department of Housing and Urban Development.

2008 San Diego County Median Income Limits <sup>(1)</sup>				
Family Size	Moderate 120%	Low 80%	Very Low 50%	Extremely Low 30%
1	\$ 60,550.00	\$44,250.00	\$27,650.00	\$16,600.00
2	\$ 69,200.00	\$50,550.00	\$31,600.00	\$18,950.00
3	\$ 77,850.00	\$56,900.00	\$35,550.00	\$21,350.00
4	\$ 86,500.00	\$63,200.00	\$39,500.00	\$23,700.00
5	\$ 93,400.00	\$68,250.00	\$42,650.00	\$25,600.00
6	\$100,350.00	\$73,300.00	\$45,800.00	\$27,500.00
7	\$107,250.00	\$78,350.00	\$49,000.00	\$29,400.00
8	\$114,200.00	\$83,400.00	\$52,150.00	\$31,300.00

<sup>(1)</sup> U.S. Department of Housing and Urban Development, effective February 2008

**Blight:** California Health & Safety Code Section 33030 defines “blighted area” as one that is:

1. Predominately urbanized;
2. Underutilized to the extent that it constitutes a serious physical and economic burden on the community; and
3. Characterized by one or more physical or economic conditions as described and set forth in Section 33031 to follow
  - a. This subdivision describes physical conditions that cause blight:
    - i. Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.
    - ii. Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.
    - iii. Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of the project area.
  4. The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.
    - a. This subdivision describes economic conditions that cause blight:
      - i. Depreciated or stagnant property values or impaired investments, including, but not necessarily limited to, those properties containing hazardous wastes that require the use of agency authority as specified in Article 12.5 (commencing with Section 33459).
      - ii. Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban use and served by utilities.
      - iii. A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, and banks and other lending institutions.
      - iv. Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults that has led to problems of public safety and welfare.
      - v. A high crime rate that constitutes a serious threat to the public safety and welfare.

**Continued Affordability:** For homebuyers, the City will use the standards of its HOME Down Payment and Closing Cost Assistance Program where homebuyers repay the loan upon transfer, sale or refinancing of the home. Such covenants are recorded against the property. For rental the City will ensure the entire period of affordability through monitoring, following the specific HOME monitoring requirements as defined in 24 CFR Part 92.

**Rehabilitation Standards:**

For NSP related rehabilitation efforts, the City of Chula Vista will utilize the existing Community Housing Improvement Program (CHIP) Rehabilitation Standards. The CHIP Rehabilitation Standards are used to prioritize work items when determining the final scope of work. Priorities include:

1. First priority is the elimination of California Health/Safety hazards and code violations. This may include the following major systems or building components:
  - a. Structural: foundations, footings, chimneys, framing, siding, subfloors, roof diaphragm, retaining walls, etc.
  - b. Plumbing: drain, waste, and vent systems, hot and cold water pipes, drainage systems, plumbing fixtures, bathtubs, sinks, toilets, hot water heaters, etc.
  - c. Mechanical: heating and air conditioning to include any built-in, floor, central, wall gas or electric unit.
  - d. Electrical: safe adequate wiring, service panel/ampage for modern conveniences, service entrance, receptacles and, interior/exterior lighting.
  - e. Interior/Exterior building components: floor coverings, ranges/refrigerators, garbage disposal, kitchen cabinets, counter tops, vanities, drywall, painting, doors, windows, weatherization, smoke alarms, security bars, hazardous building construction materials, concrete work and fencing etc.
  - f. Required Lead-Based Paint remediation.
2. Second priority is the elimination of potential violations. These work items would include all of the work mentioned above that are not code violations today, but will become violations at some time in the near future (two years or less). Examples include:
  - a. A roof covering that has reached its life expectancy, but shows no sign of leaking.
  - b. Floor covering that is excessively worn and in a reasonably short period of time will no longer be effective for the intended use.
  - c. Kitchen counter tops, appliances, bath vanities or tub surrounds which show pitted or worn surfaces but are not bad enough to classify as a code violation.
  - d. Paint that is aged near its useful life expectancy but remains a washable surface and provides adequate water and weather protection.
3. Third priority is energy and/or water conservation improvements. These conservation improvements or repairs include insulation, water saving toilets or other fixture, energy-efficient appliances, water heaters and xeriscope yard improvements.
4. Fourth priority is general property improvements. General property improvements are those items which cannot be classified in the first three categories but by their inclusion enhance the exterior or interior appearance of the dwelling or occupancy of the inhabitants. For the most part, general property improvements are limited to funding sources that allow them. In all cases the work must be justified. "Luxury" items are not allowed. Some examples of general property improvements are:
  - a. Dishwashers (dishwashers may be a higher priority depending on circumstances i.e., medical needs or replacement of an existing non-functioning unit).
  - b. Upgrading floor covering that may not be a safety or incipient violation.
  - c. Upgrading of obsolete kitchen cabinets that are in good to fair condition.

Individual rehabilitation programs administered by the City may forbid the installation or repair of certain items. It is the responsibility of the City CHIP Committee to know and understand program regulations and make decisions accordingly. In addition, a Code Enforcement Officer will be on the Committee to

insure that corrective items that are in violation of the City of Chula Vista's building codes/ordinances as well as the Uniform Building Code, National Electric Code, Uniform Plumbing Code and the Uniform Housing Code are corrected.

Termite Repairs – a Termite Inspection Report is required and is prepared for every home by a licensed inspector. The report should identify any termite or dry rot damaged wood members in the home as well as whether or not there are any active termite infestations in the home. Any termite or dry rot damaged wood members in the home are required to be replaced or repaired due to the health and safety risk they pose to the structural integrity of the home. Fumigation or other treatments recommended to eliminate any active termite infestations are required.

Ineligible Items – There are specific items that may or may not be allowed as eligible work and are determined by need, circumstances and individual program parameters. These items include:

1. Room Additions
2. Patio Covers and Slabs (replacement only unless existing conditions can be documented/justified and authorized by the CHIP Committee)
3. Landscaping (except in the case of xeriscope yard improvements)
4. Garages and Carports
5. Window Coverings

The following items are ineligible under most programs offered by the City:

1. Luxury materials, appliances, etc.
2. Replacement of items in "like new" condition early in to normal life expectancy
3. Mirrored closet doors
4. Greenhouses
5. Animal kennels/cages/runs
6. Swimming pools
7. Saunas/spas/sunken tubs
8. Outdoor fireplaces/barbecues
9. Trash compactors
10. Tennis courts
11. Wet bars
12. Security systems

#### **D. VERY LOW INCOME TARGETING**

The City of Chula Vista will allocate \$1,000,000 of NSP funds for the purpose of purchasing and rehabilitating abandoned or foreclosed upon homes or residential properties for rental housing for individuals or families whose incomes do not exceed 50% of the San Diego area median income. The amount of NSP funds allocated to this activity represents 35% of the entire NSP funds, exceeding the required amount by 25%.

#### **E. ACQUISITION AND RELOCATION**

HUD requires that grantees indicate if they intend to demolish or convert low- and moderate-income dwelling units. The City of Chula Vista does not intend to conduct these activities.

#### **F. PUBLIC PARTICIPATION**

HUD requires that a summary of public comments received to the proposed NSP Substantial Amendment be included in the final document submitted and that a 15-day

public review period be provided. Any comments received and responses to those comments will be included in the final substantial amendment submitted to HUD on December 1, 2008.

The City of Chula Vista established a web page dedicated to the NSP to advertise upcoming meetings and provide general information to the public. A summary of additional opportunities for public input follows:

1. **Public Meetings:** The following properly noticed public meetings were held to obtain public input on the proposed uses for the NSP funds:
  - Public Meeting: October 16, 2008
  - Public Meeting: November 6, 2008
  - Chula Vista Redevelopment Corporation: November 13, 2008
  - Housing Advisory Committee: November 13, 2008
  - City Council Public Hearing: November 18, 2008
2. **Public Review Period:** A fifteen-day public comment period was held from November 10 through November 24, 2008. Copies of the draft Action Plan Amendment were made available to the public at the office of Redevelopment and Housing office as well as the departmental website.
3. **Public Comments Received:** (To be included after the end of the public comment period and final Amendment).
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#### **G. NSP INFORMATION BY ACTIVITY**

The City will utilize NSP funds for Activities 1, 2 and 3, as follows:

##### **ACTIVITY NSP-1**

1. **Activity Name:** Partner with organization to acquire and rehabilitate foreclosed or abandoned properties for purpose of renting to persons at or below 50% AMI.
2. **Activity Type:** This NSP activity provides for the purchase and rehabilitation of home and residential properties that have been abandoned or foreclosed upon in order to rent such homes and properties.

The CDBG eligible activities planned to be undertaken for this program include:

- Acquisition, 24 CFR 570.201 (a)
  - Disposition, 24 CFR 570.201 (b)
  - Relocation, 24 CFR 570.201 (i)
  - Eligible rehabilitation and preservation activities for homes and other residential properties, 24 CFR 570.202 (a)(1)(b)(1)(2)(4)(5)(6)(7)(iv)(9)(ii)
3. **CDBG National Objective:** Very Low Income residents at or below 50% AMI.
  4. **Activity Description:** This NSP activity provides for the purchase and rehabilitation of residential and multi-family properties that have been abandoned or foreclosed upon in order to rent such homes and properties to low income families in accordance with NSP regulations. The City intends to issue a Notice of Funding Availability (NOFA) to partner not limited to a Community Housing Development Organization (CHDO) and/or a participating member of the San Diego Regional Continuum of Care Council to identify and purchase such properties while leveraging other available funding for rental housing. The purchase price must be priced at a discount consistent and appraised in accordance with HUD NSP requirements.

5. **Location Description:** Program will be city-wide with priority given to the census tracts containing the highest existing and predicted foreclosure rates, based on data collected in Exhibits A - E. These have been designated as neighborhoods of high risk and include census tracts: 12402, 12700, 13303, 13306, 13307, 13418 and portions of tracts 13308, 13310, and 13311, detailed in Exhibits "G-I" attached.
6. **Performance Measures:** Number of rental units created, minimum of 4-6.
7. **Total Budget:** \$1,000,000
8. **Responsible Organization:** City of Chula Vista, Redevelopment & Housing; 276 Fourth Avenue, Chula Vista, California 91910; contact: Amanda Mills, Manager Redevelopment & Housing, (619) 409-5948
9. **Projected Start Date:** January 1, 2009
10. **Projected End Date:** January 1, 2013
11. **Specific Activity Requirements:**
  - For acquisition activities, include:
    - Discount rate – **Fifteen percent (15%)**
  - For financing activities, include:
    - Range of interest rates – **3% deferred, secured by deed of trust**
  - For housing related activities, include:
    - Tenure of beneficiaries--rental or homeownership - **Rental**
    - Duration or term of assistance - **Minimum fifteen (15) year affordability period**
    - A description of how the design of the activity will ensure continued affordability- **Continued affordability ensured by recorded covenants, a minimum 15-year affordability term**

#### ACTIVITY NSP-2

1. **Activity Name:** Shared Equity: Down-Payment and Closing Cost Assistance Program
2. **Activity Type:** This NSP activity provides financing mechanisms for purchase and rehabilitation of vacant foreclosed homes and residential properties.  
The CDBG eligible activities planned to be undertaken for this program include:
  - Direct homeownership assistance, 24 CFR 570.201 (n)(1)(2)(3)(4)(5)
  - Eligible rehabilitation and preservation activities for homes and other residential properties, 24 CFR 570.202 (a)(1)(b)(1)(2)(4)(5)(6)(7)(iv)(9)(ii)
  - Housing Counseling for those seeking to take part in the program, 24 CFR 570.201 (e)
3. **CDBG National Objective:** LMMH (Low and Moderate-Income Households)
4. **Activity Description:** Down Payment and Closing Cost Assistance will be provided to eligible homebuyers at or below 120% of the area median income, through homebuyer and housing rehabilitation assistance to stabilize communities within the City of Chula Vista that have the greatest need as discussed and identified under Section A, Areas of Greatest Need. The City plans to use 55% or \$1,547,065 of this funding as a financing mechanism (Down Payment and Closing Cost Assistance) to assist persons at or below 120% of area median income to acquire foreclosed or abandoned residential properties. Priority will be given to first-time homebuyers that are purchasing within the Targeted Neighborhoods and will closely mirror the City's existing program guidelines for the Shared Equity: Down Payment and Closing Cost Assistance Program, by providing gap financing, as follows:
  - Homebuyers with household incomes that do not exceed 120% of area median income may borrow up to \$40,000.



- Homebuyers with household incomes that do not exceed 80% of area median income may borrow up to \$70,000.
- Up to \$24,999 of the total funds (\$40,000 or \$70,000) can be used towards home repair and rehabilitation.

The Share Equity Down Payment and Closing Cost Assistance Program (DCCA) provides assistance to eligible homebuyers through homebuyer and housing rehabilitation assistance to stabilize communities within the City of Chula Vista that have the greatest need as discussed and identified on pages 1-3. Specifically, the DCCA program has been designed to meet the needs of homebuyers with very low, low, and moderate incomes who are unable to qualify for a mortgage and/or obtain the necessary down payment without gap financing. The home can be a single family residence, condominium, or townhouse dwelling. The home must be vacant and foreclosed upon or abandoned pursuant to NSP program guidelines, and must be used as the principal residence of the homebuyer. Priority is given to eligible homebuyers that are purchasing homes in specific target areas within the City Of Chula Vista.

This program will provide secured loans as follows:

- a. The homebuyer's purchase price must be at least 5% (pursuant to HUD's NSP program guidelines) below the current market appraised value of the property pursuant to an appraisal dated within 60 days of the offer to purchase. The appraisal must conform to the requirements of 49 CFR 24.103. All eligible homebuyers must attend and complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a DCCA program loan. Priority will be provided to eligible first time homebuyers with household incomes that do not exceed middle-income (120% of area median income). The value of the home may not exceed the City's HOME maximum purchase price. All loans will have no interest and will be secured by a Second Deed of Trust that is second in priority after the first Deed of Trust. All repayments to the City are deferred until sale, transfer, refinancing or full repayment of the first mortgage. In order to meet the NSP statutory deadlines to expedite commitment and expenditure of program funds, the City's existing DCCA program will be updated to reflect the NSP program requirements. The City DCCA program will include affirmative marketing, environmental clearance, compliance with the City's rehabilitation requirements and inspection standards, and lead-based paint requirements found in 24 CFR Part 35. [The City's NSP DCCA Program has also been designed to provide the homebuyers with housing rehabilitation assistance on an as needed basis. Eligible homebuyers may receive up to \$24,999 for rehabilitation. However, this will reduce the amount available for total DCCA Assistance (\$70,000 or \$40,000)].
  - b. After completion of the purchase, the rehabilitation program assistance must be used to make the home to a decent, safe, and habitable condition in accordance with the DCCA property standards.
5. **Location Description:** Program will be city-wide with priority given to the census tracts containing the highest existing and predicted foreclosure rates, based on data collected in Exhibits A - E. These have been designated as neighborhoods of high risk and include census tracts: 12402, 12700, 13303, 13306, 13307, 13418 and portions of tracts 13308, 13310, and 13311, detailed in Exhibits "G-I" attached.
  6. **Performance Measures:** Assist homebuyers purchase and rehabilitate 22-38 properties, dependant on levels of gap financing assistance.

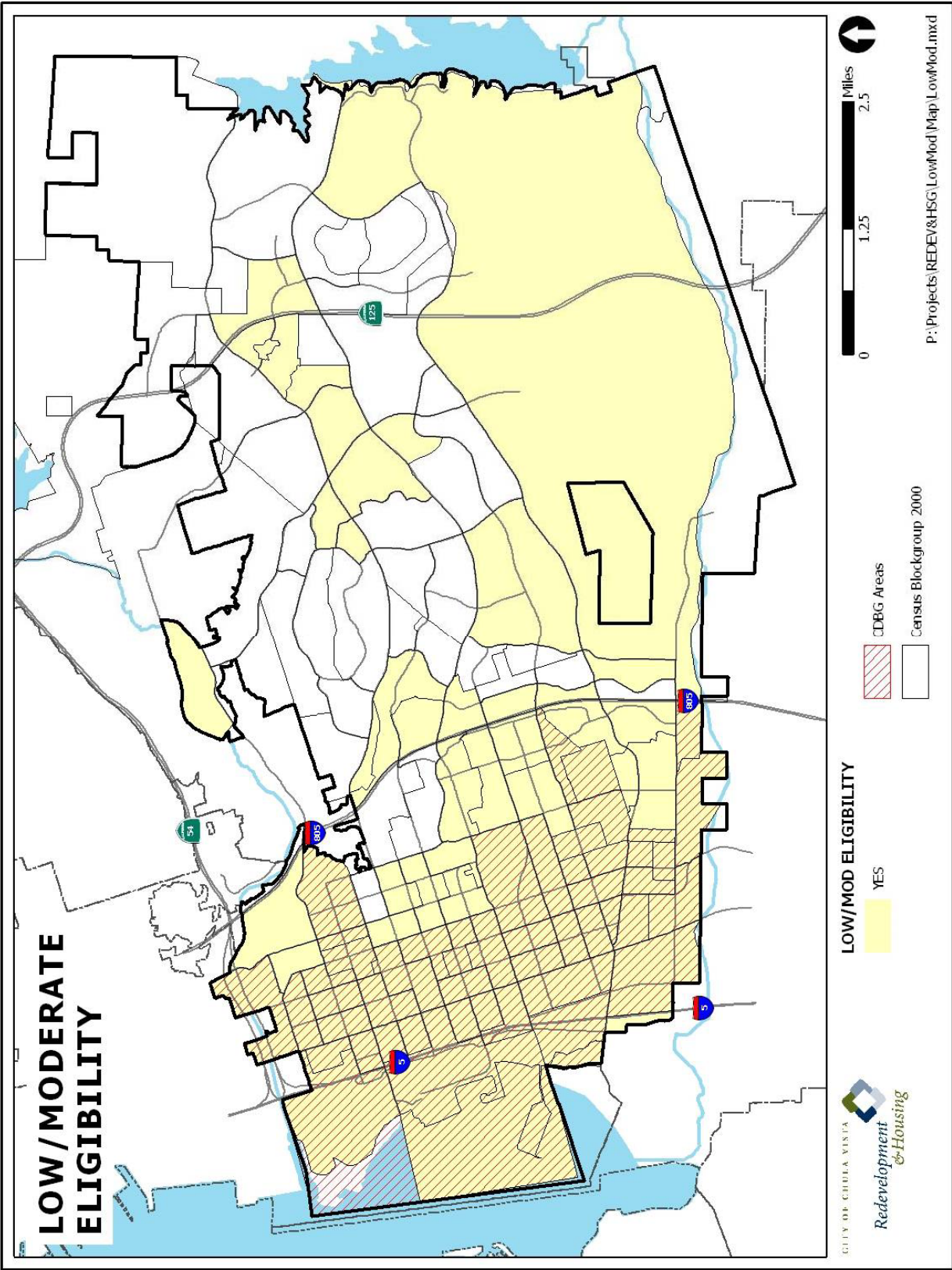
7. **Total Budget:** \$1,547,065
8. **Responsible Organization:** City of Chula Vista, Redevelopment & Housing; 276 Fourth Avenue, Chula Vista, California 91910; contact: Amanda Mills, Manager Redevelopment & Housing, (619) 409-5948
9. **Projected Start Date:** January 1, 2009
10. **Projected End Date:** January 1, 2013
11. **Specific Activity Requirements:**
  - For acquisition activities, include:
    - Discount rate – **Minimum of 5% and/or consistent with HUD NSP requirements**
  - For financing activities, include:
    - Range of interest rates – **Zero percent (0%) interest deferred payment loan.**
  - Housing related activities:
    - Tenure of beneficiaries—rental or homeownership - **Homeownership**
    - Duration or term of assistance - **Minimum fifteen (15) year affordability period**
    - A description of how the design of the activity will ensure continued affordability - **Continued affordability of the recapture option ensured by recorded covenants.**

#### ACTIVITY NSP-3

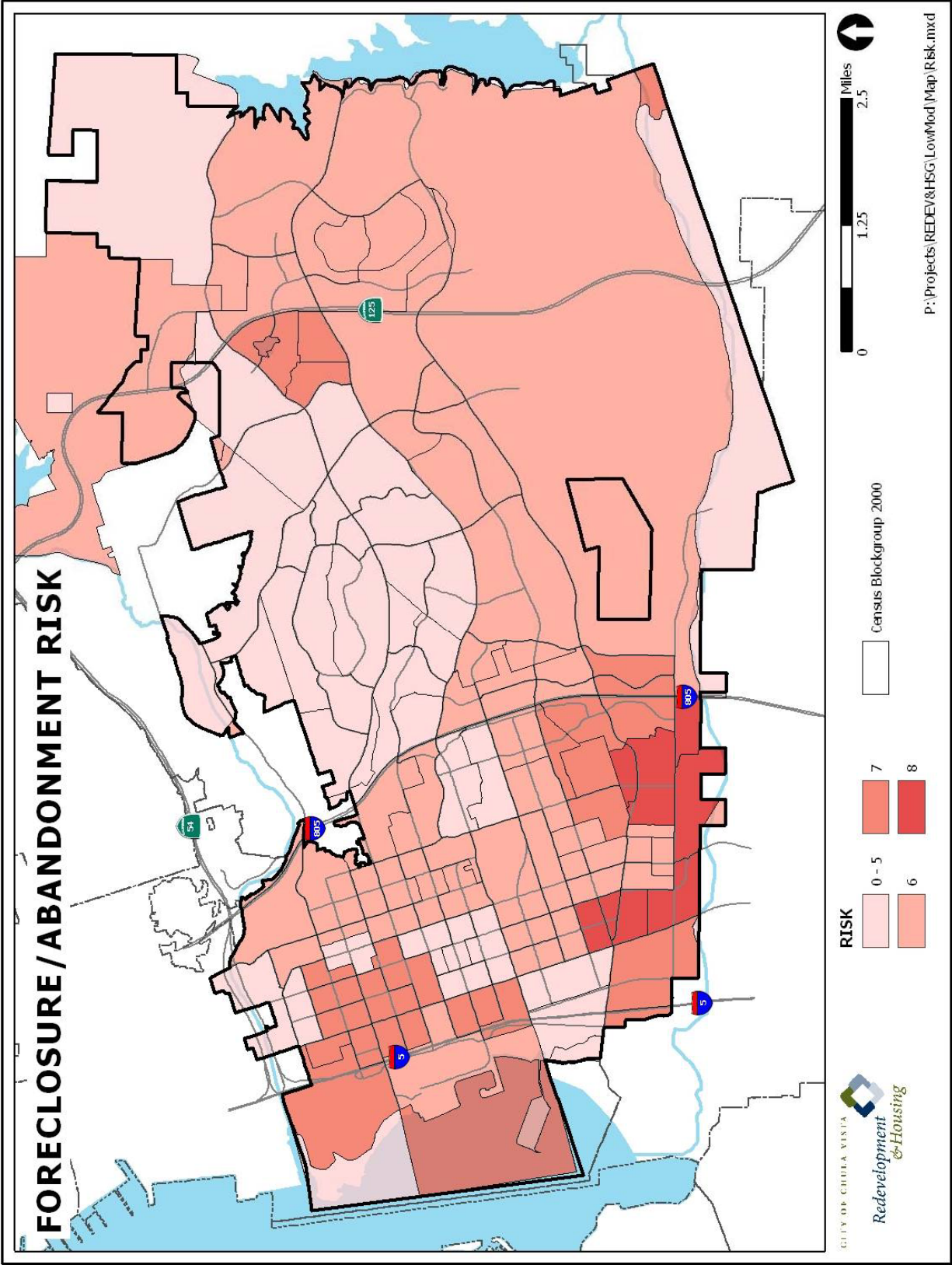
1. **Activity Name:** Administration of the Neighborhood and Stabilization Program
2. **Activity Type:** Planning and Administration (CDBG 24 CFR570.206)
3. **CDBG National Objective:** Planning and administration activities are exempt from national objective requirement.
4. **Activity Description:** Administration funds will be utilized for staff costs associated with the management and administration of Chula Vista's NSP program, including planning, regulatory compliance (i.e underwriting loans, monitoring, inspections, etc.), contract administration, and fiscal management.
5. **Location Description:** The City of Chula Vista Department of Redevelopment and Housing will be the lead on this program. 276 Fourth Avenue, Chula Vista, CA 91910.
6. **Performance Measures:** Administration activities are exempt from this requirement.
7. **Total Budget:** \$283,000
8. **Responsible Organization:** City of Chula Vista, Redevelopment and Housing will be the lead on this program with the following persons as administrators:
  - Angélica Davis, Project Coordinator  
(619) 691-5036, [adavis@ci.chula-vista.ca.us](mailto:adavis@ci.chula-vista.ca.us)
  - José Dorado, Project Coordinator  
(619) 476-5375, [jdorado@ci.chula-vista.ca.us](mailto:jdorado@ci.chula-vista.ca.us)
  - Stacey Kurz, Senior Project Coordinator  
(619) 585-5609, [skurz@ci.chula-vista.ca.us](mailto:skurz@ci.chula-vista.ca.us)
9. **Projected Start Date:** January 1, 2009
10. **Projected End Date:** January 1, 2013
11. **Specific Activity Requirements:** Not Applicable



**EXHIBIT A**  
**Low- and Moderate-Income Eligible Census Tracts**

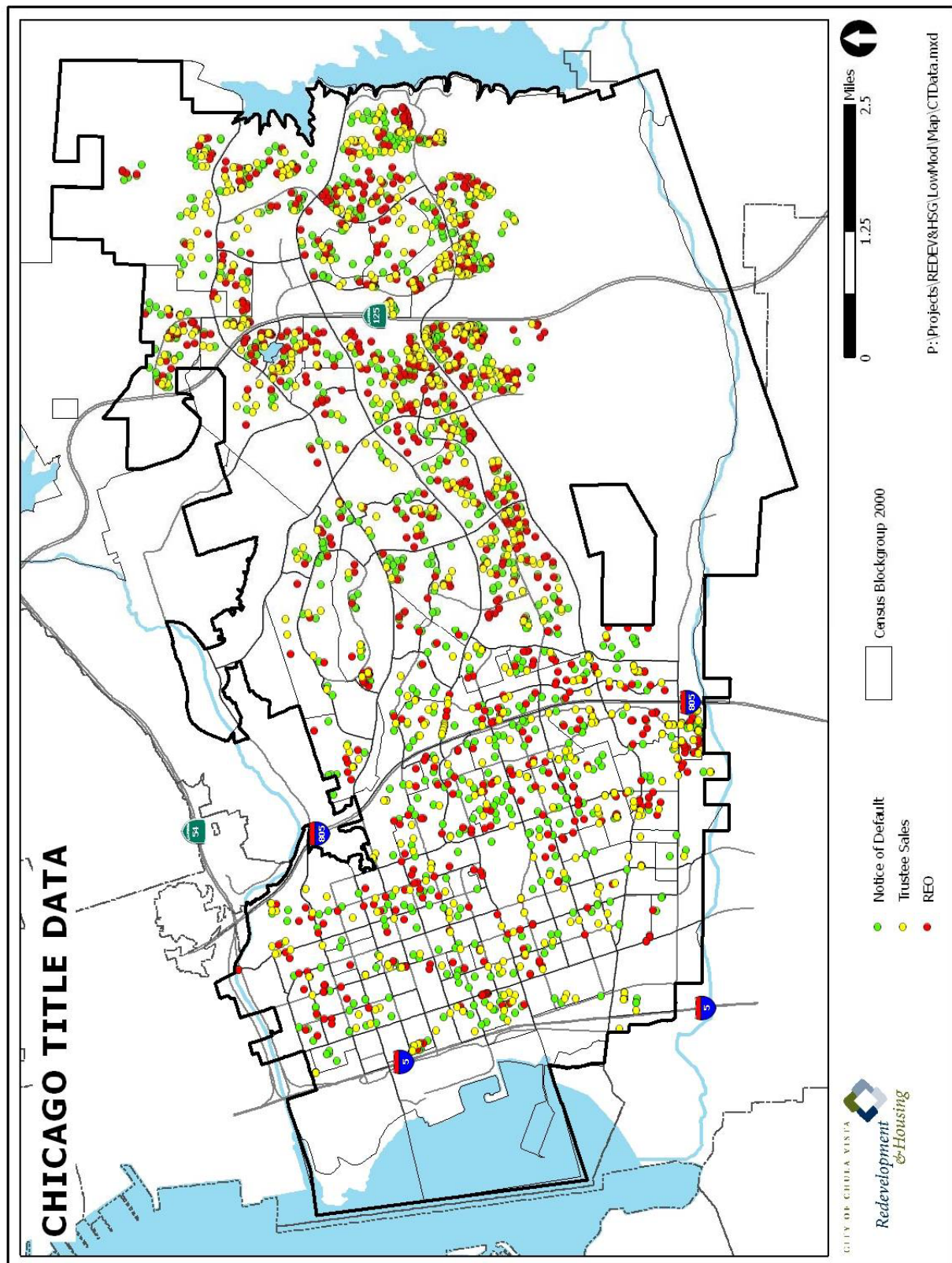


**EXHIBIT B**  
**HUD High Foreclosure Risk Factor**

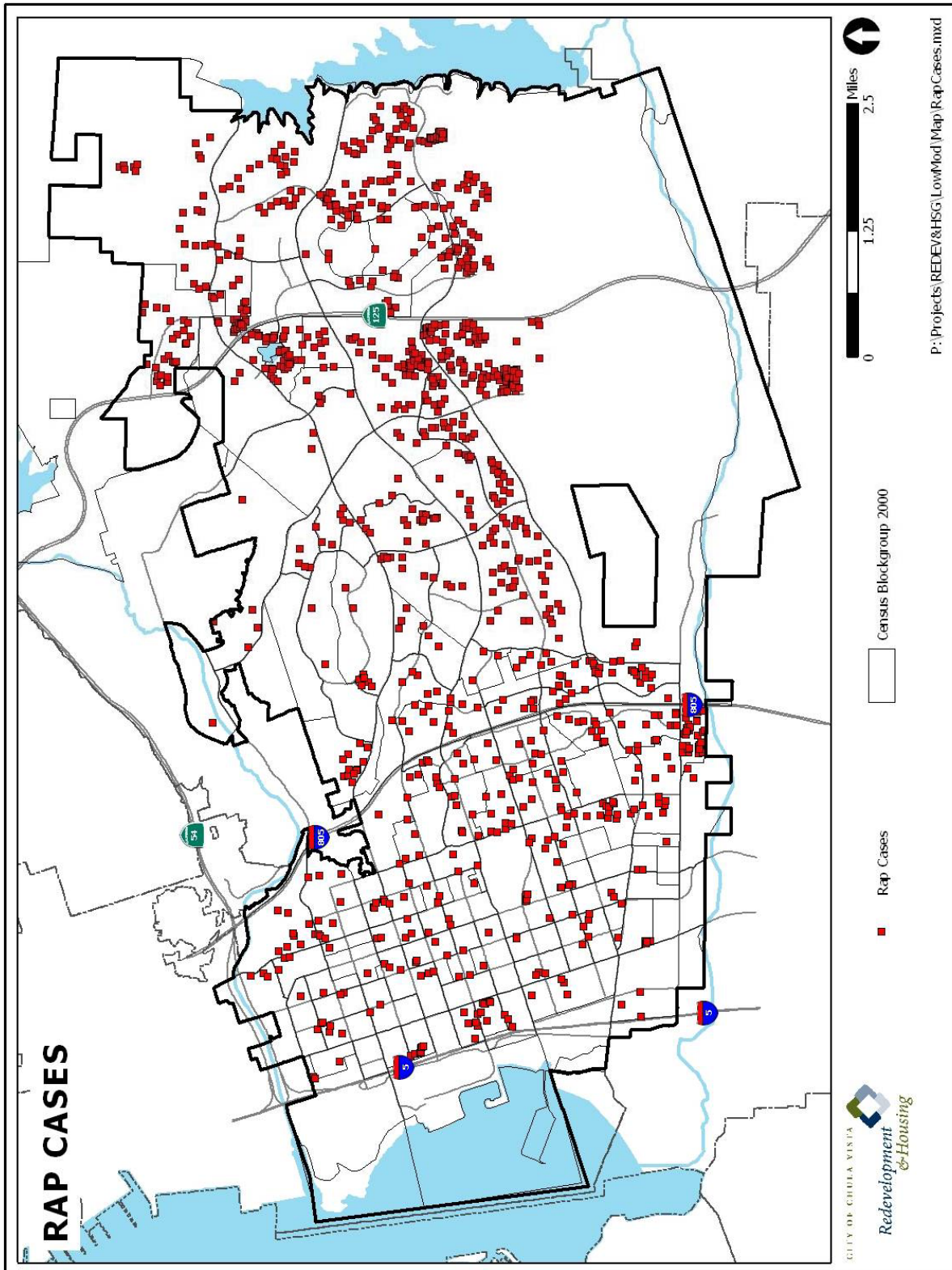




**EXHIBIT C**  
**Recorded Properties in Foreclosure from 6/1/08 to 9/30/08**

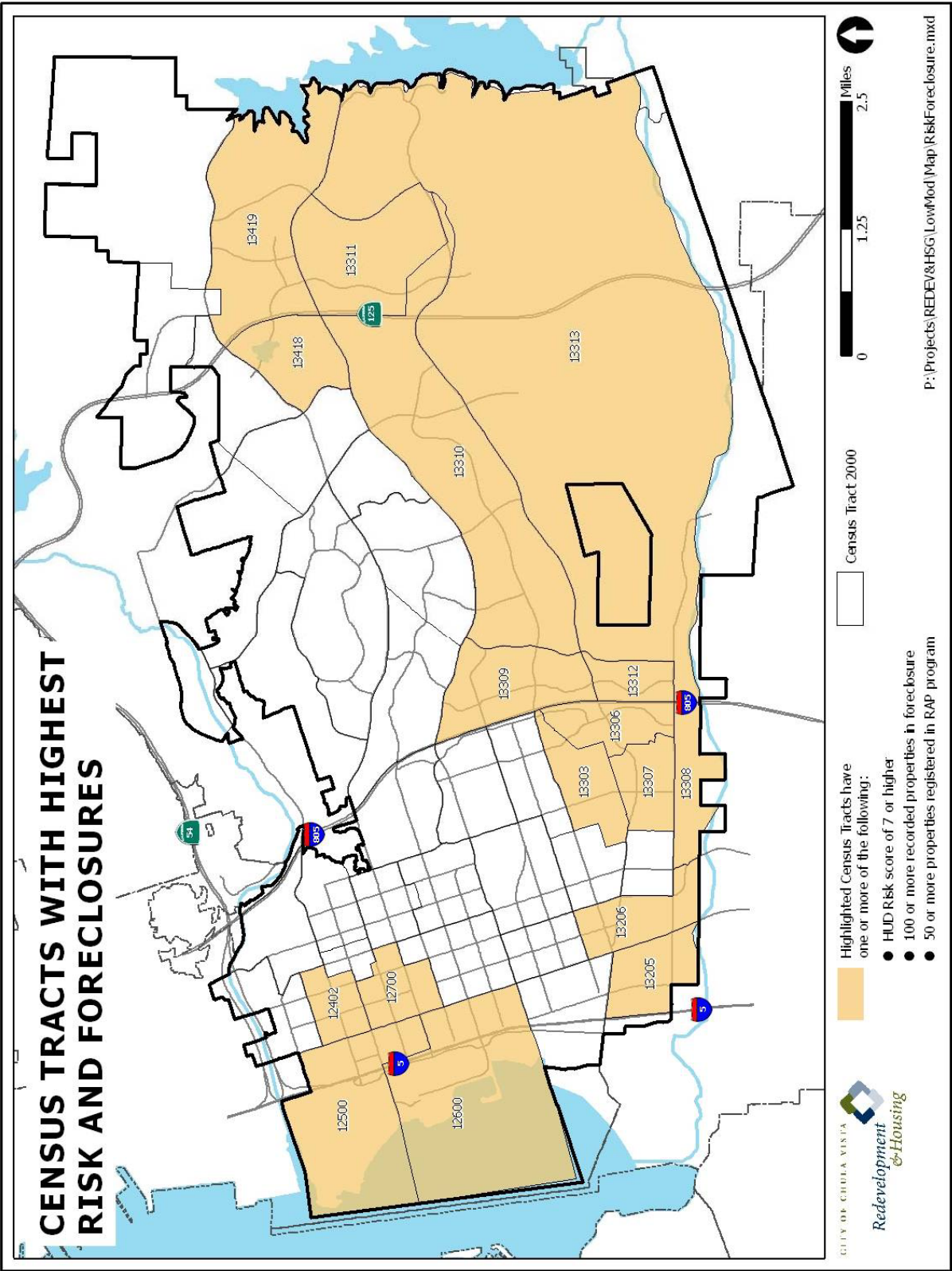


**EXHIBIT D**  
**Properties Registered in Chula Vista**  
**Abandoned Residential Properties Program as of 10/15/08**

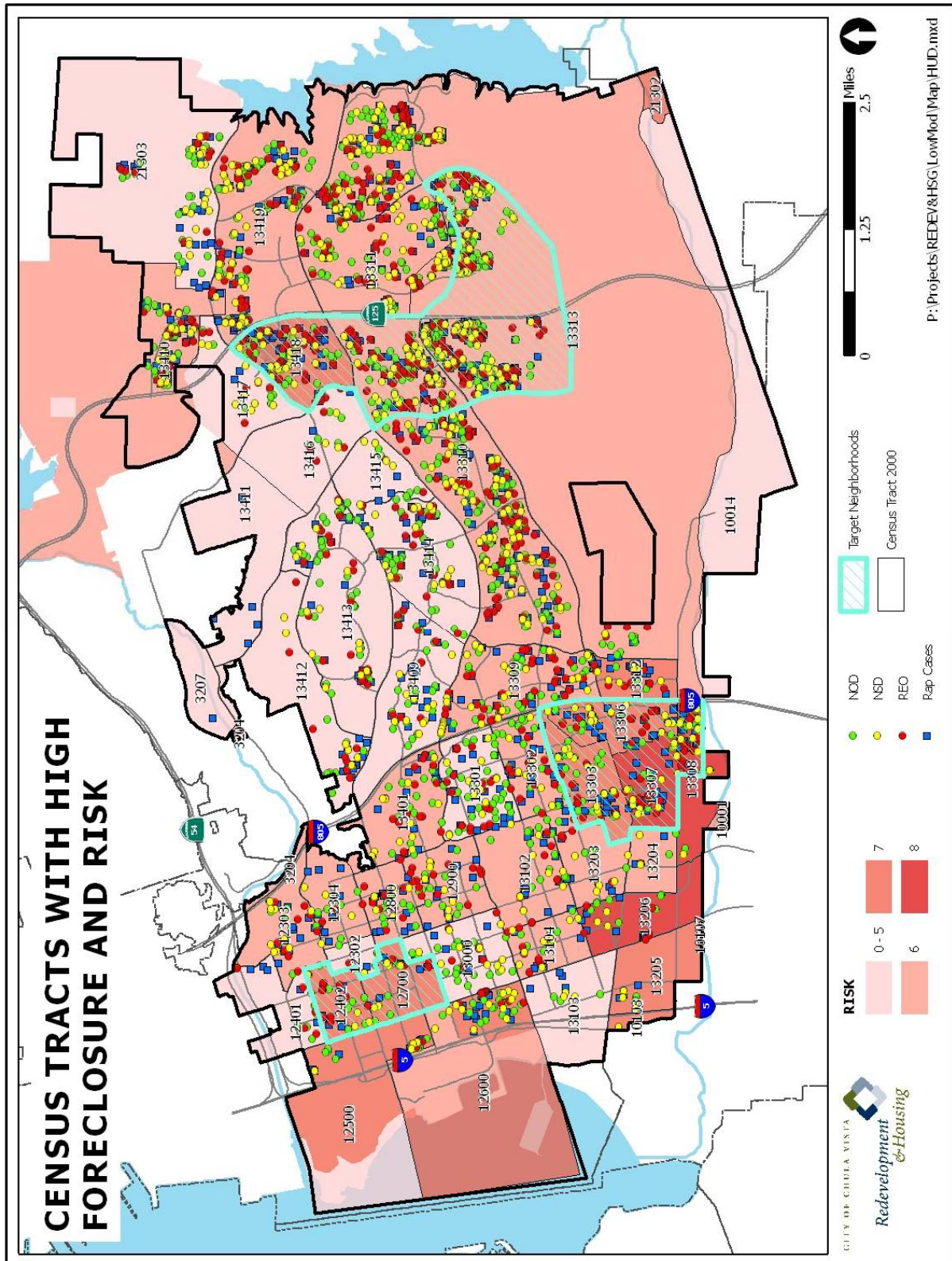




# EXHIBIT E Census Tracts with High Risk and Foreclosures



## EXHIBIT F Target Neighborhoods





# EXHIBIT G Northwest Target Neighborhood

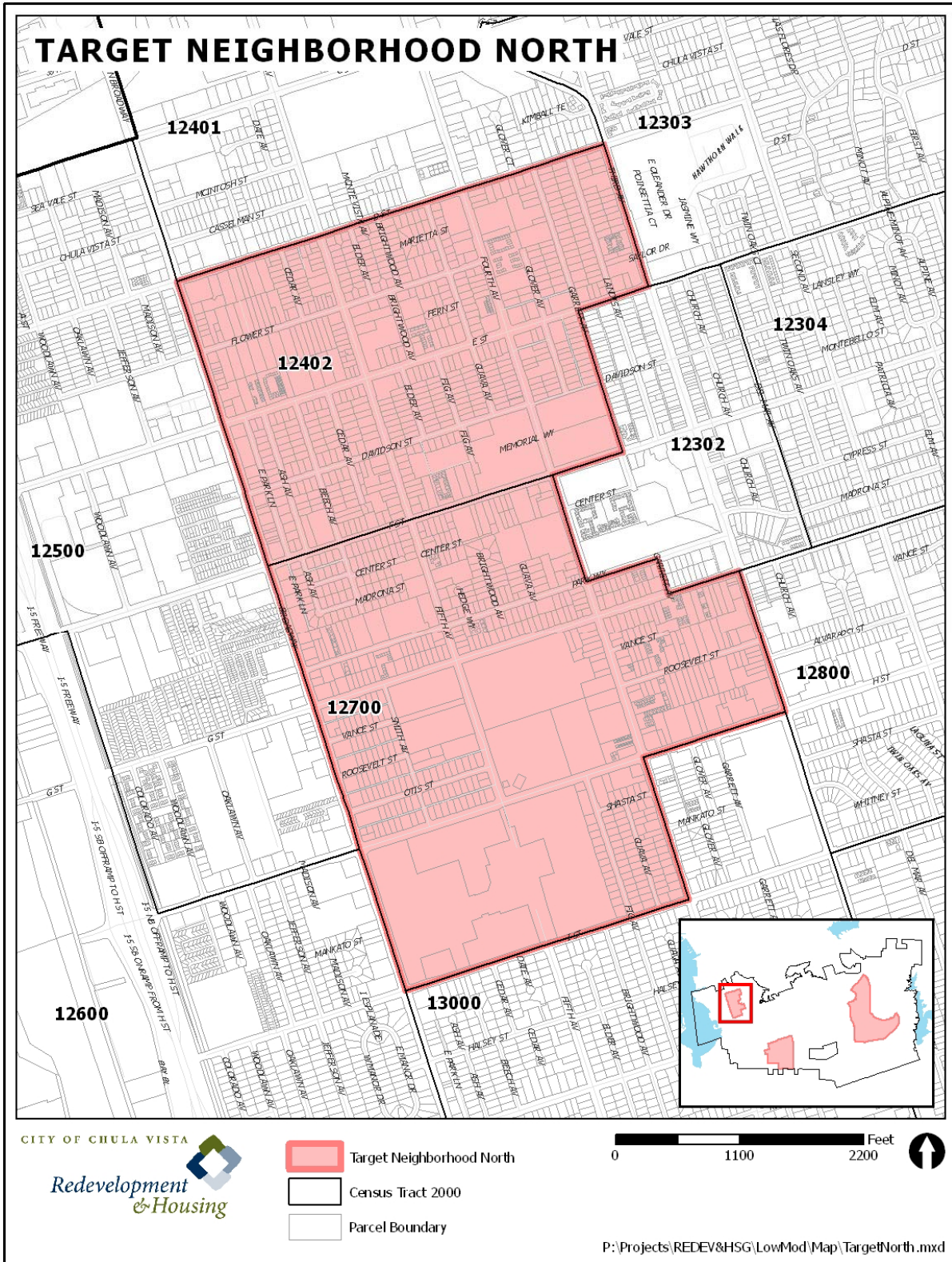


EXHIBIT H  
Southwest Target Neighborhood

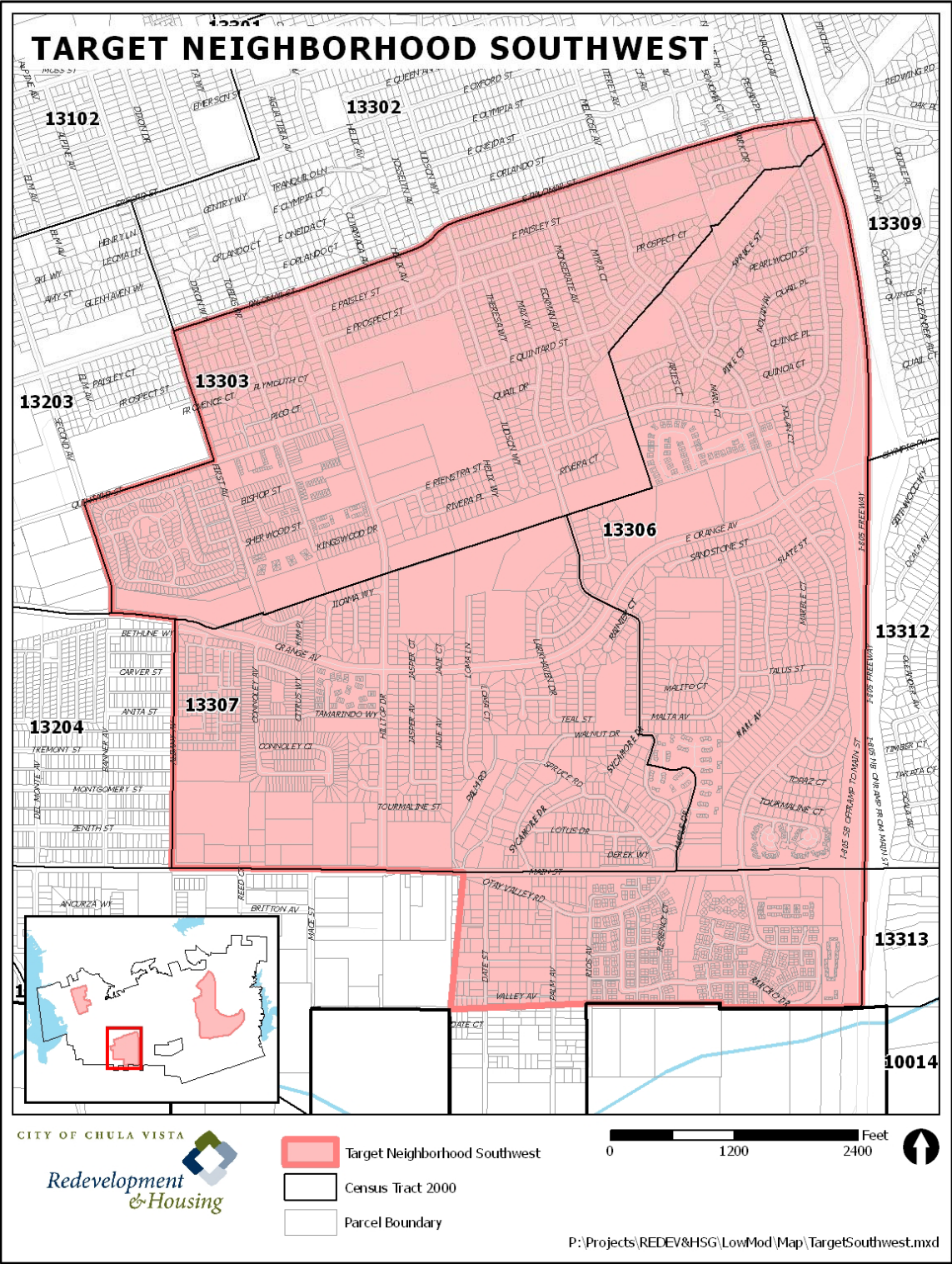
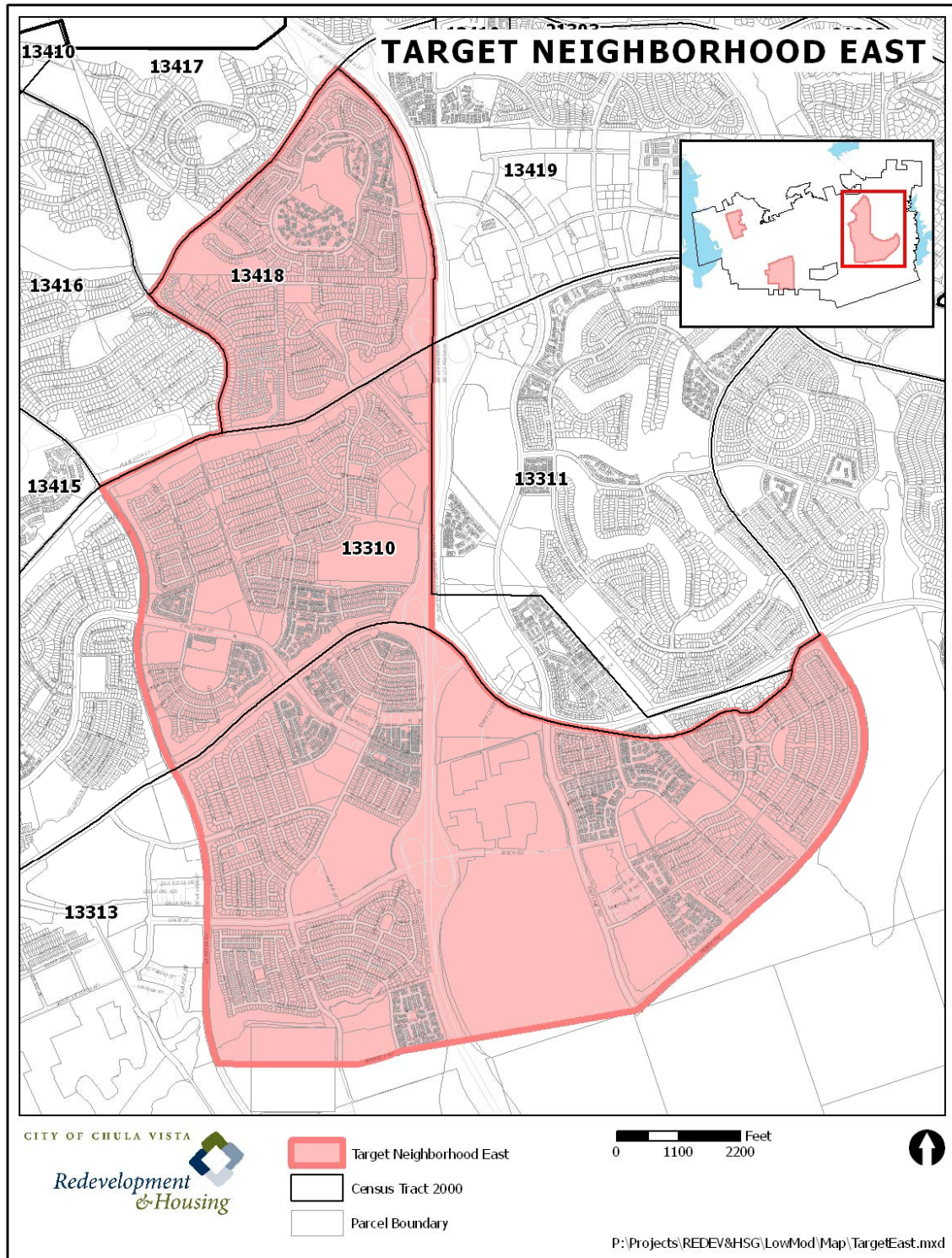




EXHIBIT I  
East Target Neighborhood



## Certifications

- (1) **Affirmatively further fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
- (4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.
- (5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.
- (6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.
- (8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.
- (9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.
- (10) **Use NSP funds  $\leq$  120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.
- (11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of

obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

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Scott Tulloch, Acting City Manager

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Date

## CHECKLIST

For the purposes of expediting review, HUD asks that applicants submit the following checklist along with the NSP Substantial Amendment and SF-424.

### Contents of an NSP Action Plan Substantial Amendment

Jurisdiction(s): _____ Lead Agency Jurisdiction Web Address: (URL where NSP Substantial Amendment materials are posted)	NSP Contact Person: Address: Telephone: Fax: Email:
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The elements in the substantial amendment required for the Neighborhood Stabilization Program are:

#### A. Areas of Greatest Need

Does the submission include summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction?

Yes ☒ No ☐ Verification found on page 1.

#### B. Distribution and Uses of Funds

Does the submission contain a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures?

Yes ☒ No ☐ Verification found on page 5.

**Note:** The grantee's narrative must address the three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

#### C. Definitions and Descriptions

For the purposes of the NSP, do the narratives include:

- a definition of "blighted structure" in the context of state or local law,  
Yes ☒ No ☐ Verification found on page 8.
- a definition of "affordable rents,"  
Yes ☒ No ☐ Verification found on page 7.
- a description of how the grantee will ensure continued affordability for NSP assisted housing,  
Yes ☒ No ☐ Verification found on page 8.
- a description of housing rehabilitation standards that will apply to NSP assisted activities?  
Yes ☒ No ☐ Verification found on page 8.



#### **D. Information By Activity**

Does the submission contain information by activity describing how the grantee will use the funds, identifying:

##### **Activity No. 1**

- eligible use of funds under NSP,  
Yes ☒ No ☐ Verification found on page 11.
- correlated eligible activity under CDBG,  
Yes ☒ No ☐ Verification found on page 11.
- the areas of greatest need addressed by the activity or activities,  
Yes ☒ No ☐ Verification found on page 11.
- expected benefit to income-qualified persons or households or areas,  
Yes ☒ No ☐ Verification found on page 12.
- appropriate performance measures for the activity,  
Yes ☒ No ☐ Verification found on page 12.
- amount of funds budgeted for the activity,  
Yes ☒ No ☐ Verification found on page 12.
- the name, location and contact information for the entity that will carry out the activity,  
Yes ☒ No ☐ Verification found on page 12.
- expected start and end dates of the activity?  
Yes ☒ No ☐ Verification found on page 12.

##### **Activity No. 2**

- eligible use of funds under NSP,  
Yes ☒ No ☐ Verification found on page 12.
- correlated eligible activity under CDBG,  
Yes ☒ No ☐ Verification found on page 12.
- the areas of greatest need addressed by the activity or activities,  
Yes ☒ No ☐ Verification found on page 12.
- expected benefit to income-qualified persons or households or areas,  
Yes ☒ No ☐ Verification found on page 12.
- appropriate performance measures for the activity,  
Yes ☒ No ☐ Verification found on page 14.
- amount of funds budgeted for the activity,  
Yes ☒ No ☐ Verification found on page 14.
- the name, location and contact information for the entity that will carry out the activity,  
Yes ☒ No ☐ Verification found on page 14.
- expected start and end dates of the activity?  
Yes ☒ No ☐ Verification found on page 14.

##### **Activity No. 3**

- eligible use of funds under NSP,  
Yes ☒ No ☐ Verification found on page 14.
- correlated eligible activity under CDBG,  
Yes ☒ No ☐ Verification found on page 14.
- the areas of greatest need addressed by the activity or activities,  
Yes ☒ No ☐ Verification found on page 14.

- expected benefit to income-qualified persons or households or areas,  
Yes ☒ No ☐ Verification found on page 14.
- appropriate performance measures for the activity,  
Yes ☒ No ☐ Verification found on page 14.
- amount of funds budgeted for the activity,  
Yes ☒ No ☐ Verification found on page 14.
- the name, location and contact information for the entity that will carry out the activity,  
Yes ☒ No ☐ Verification found on page 14.
- expected start and end dates of the activity?  
Yes ☒ No ☐ Verification found on page 14.

#### **E. Specific Activity Requirements**

Does each activity narrative describe the general terms under which assistance will be provided, including:

If the activity includes acquisition of real property,

- the discount required for acquisition of foreclosed upon properties,  
Yes ☒ No ☐ Verification found on page 11, 12 and 16.

If the activity provides financing,

Yes ☒ No ☐ Verification found on page 12.

If the activity provides housing,

- duration or term of assistance,  
Yes ☒ No ☐ Verification found on page 14 and 16.
- tenure of beneficiaries (e.g., rental or homeownership),  
Yes ☒ No ☐ Verification found on page 14 and 16.
- does it ensure continued affordability?  
Yes ☒ No ☐ Verification found on page 8, 14 and 16.
- does the applicant indicate which activities will count toward the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?  
Yes ☒ No ☐ Verification found on page 10.

#### **F. Low Income targeting**

- Has the grantee described how it will meet the statutory requirement that at least 25% of funds must be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals and families whose incomes do not exceed 50% of area median income?  
Yes ☒ No ☐ Verification found on page 10.
- Has the grantee identified how the estimated amount of funds appropriated or otherwise made available will be used to purchase and redevelop abandoned or

foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50% of area median income?

Yes ☒ No ☐

Verification found on page 10.

Amount budgeted = \$ \$1,000,000.

#### **G. Demolishment or Conversion of Low- And Moderate-Income Units**

Does grantee plan to demolish or convert any low- and moderate-income dwelling units?

Yes ☐ No ☒ (If no, continue to next heading)

Verification found on page \_\_\_\_.

Does the substantial amendment include:

H. The number of low- and moderate-income dwelling units—i.e.,  $\leq 80\%$  of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities?

Yes ☐ No ☒.

Verification found on page n/a.

I. The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e.,  $\leq 120\%$  of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion)?

Yes ☒ No ☐

Verification found on page 12 and 13.

J. The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income?

Yes ☒ No ☐

Verification found on page 10.

#### **H. Public Comment Period**

Was the proposed action plan amendment published via the grantee jurisdiction's usual methods and on the Internet for no less than 15 calendar days of public comment?

Yes ☒ No ☐

Verification found on page \_\_\_\_.

Is there a summary of citizen comments included in the final amendment?

Yes ☒ No ☐

Verification found on page \_\_\_\_.

#### **I. Website Publication**

The following Documents are available on the grantee's website:

- |                                      |   |                               |
|--------------------------------------|---|-------------------------------|
| • SF 424                             | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> . |
| • Proposed NSP Substantial Amendment | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> . |
| • Final NSP Substantial Amendment    | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> . |
| • Subsequent NSP Amendments          | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> . |

Website URL:

[http://www.chulavistaca.gov/City\\_Services/Development\\_Services/RedevHousing/Housing/HousingPrograms/NSP.asp](http://www.chulavistaca.gov/City_Services/Development_Services/RedevHousing/Housing/HousingPrograms/NSP.asp)

## K. Certifications

The following certifications are complete and accurate:

- |  |   |                             |
|--|---|-----------------------------|
| (1) Affirmatively furthering fair housing                  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) Anti-lobbying  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) Authority of Jurisdiction                              | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) Consistency with Plan                                  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (5) Acquisition and relocation                             | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (6) Section 3  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (7) Citizen Participation                                  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (8) Following Plan   | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (9) Use of funds in 18 months                              | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (10) Use NSP funds $\leq$ 120 of AMI                       | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (11) No recovery of capital costs thru special assessments | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (12) Excessive Force                                       | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (13) Compliance with anti-discrimination laws              | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (14) Compliance with lead-based paint procedures           | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (15) Compliance with laws                                  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |